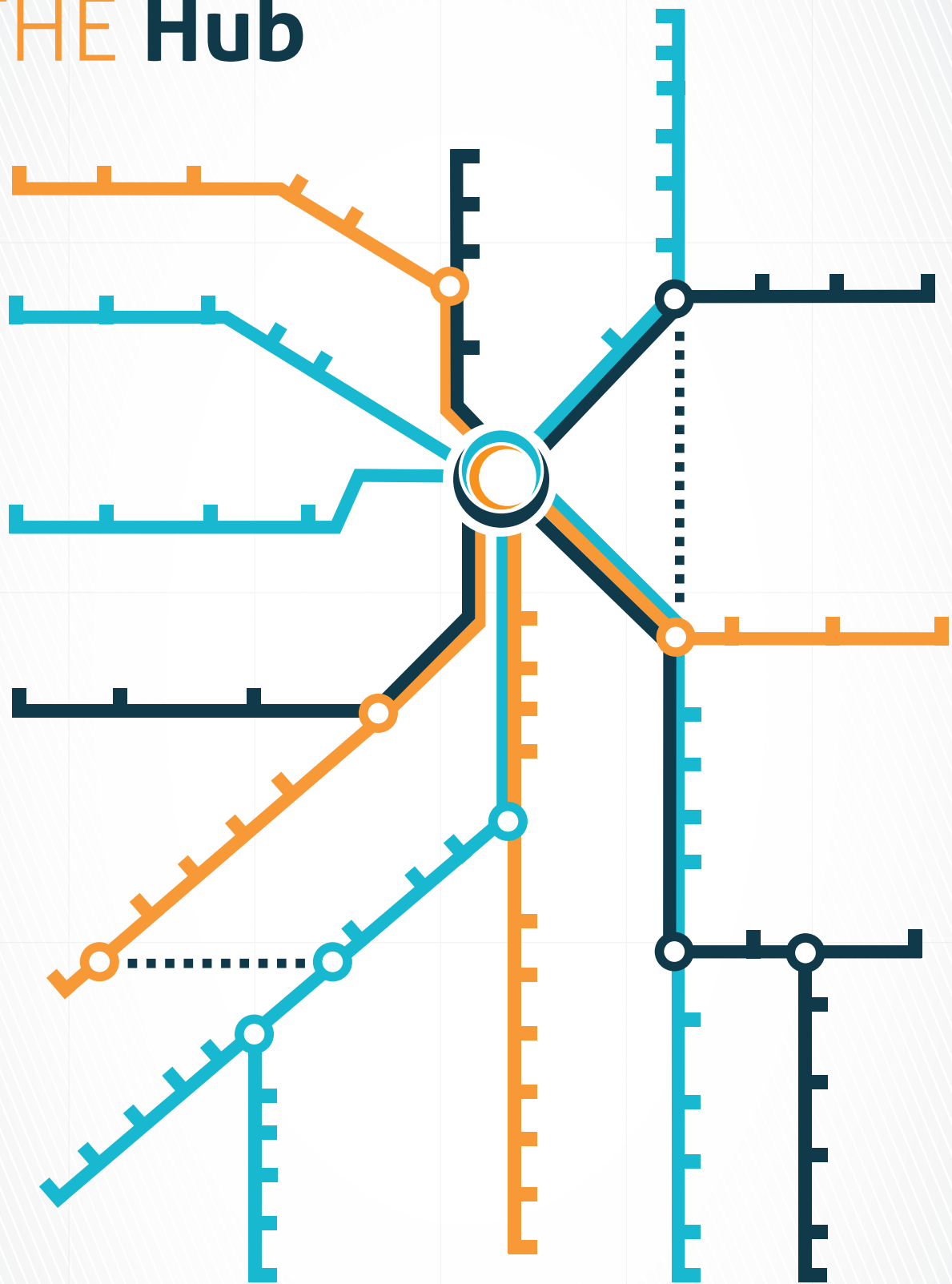


Underwriting Agencies Australia/New Zealand CEO Survey 2014 **Business Priorities and Trends**

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THE Hub



The Underwriting Agencies Council connects diversified specialist underwriting agencies, creating a focal hub at www.uac.org.au as an essential resource for brokers. UAC is THE Resource for brokers and THE Resource for its members, providing a range of services to help agencies build their businesses.



I am delighted to share with you the insights gained from the Underwriting Agencies Council 2013 survey.

This is a comprehensive survey of senior management in underwriting agencies, conducted for the first time across Australia and New Zealand, and reflects the priorities and dynamics that drive the success of the agency sector.

I thank Gratex International (www.gratex.com.au) for sponsoring the survey and all the UAC member agencies that participated.

The survey - which will now be conducted annually - is part of UAC's proactive planning process to determine the structure of future programs and activities that add most value and effectively address members' needs and requirements.

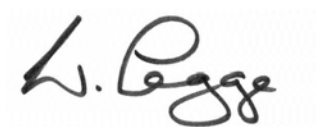
It gives UAC members access to essential, ongoing data to identify trends in our industry and reflect on members' perspectives of key issues challenging agencies as they build better businesses.

The survey is an essential element of UAC's discussions with the wider industry and various regulators and government bodies.

It helps to position UAC as a major industry body that is indeed THE Resource for brokers and THE Resource for members.

When UAC is promoting the agency sector's cause to regulators and other stakeholders it is highly beneficial that we can present the most accurate information to enable us to influence decision making.

Yours sincerely



William Legge
General Manager, Underwriting Agencies Council

Key Insights

Confidence in market opportunity is **STRONG**

The survey results show high degrees of optimism about the future of the industry and a clear trend to focus on growth in existing as well as new market segments. Almost all of the respondents see themselves as being the stimulus of industry growth and the facilitator of innovation.

Customer service is **CORE**

Creating a superior customer experience to assure retention and acquire new business is at the heart of business strategies.

In addition, developing and taking new products to market in order to meet customer needs is rating highly.

Broker channel development is **KING**

The relationship with brokers and intermediary channels is seen as crucial to success. Increasing channel loyalty and performance is seen as key business drivers for growth in established market segments and products.

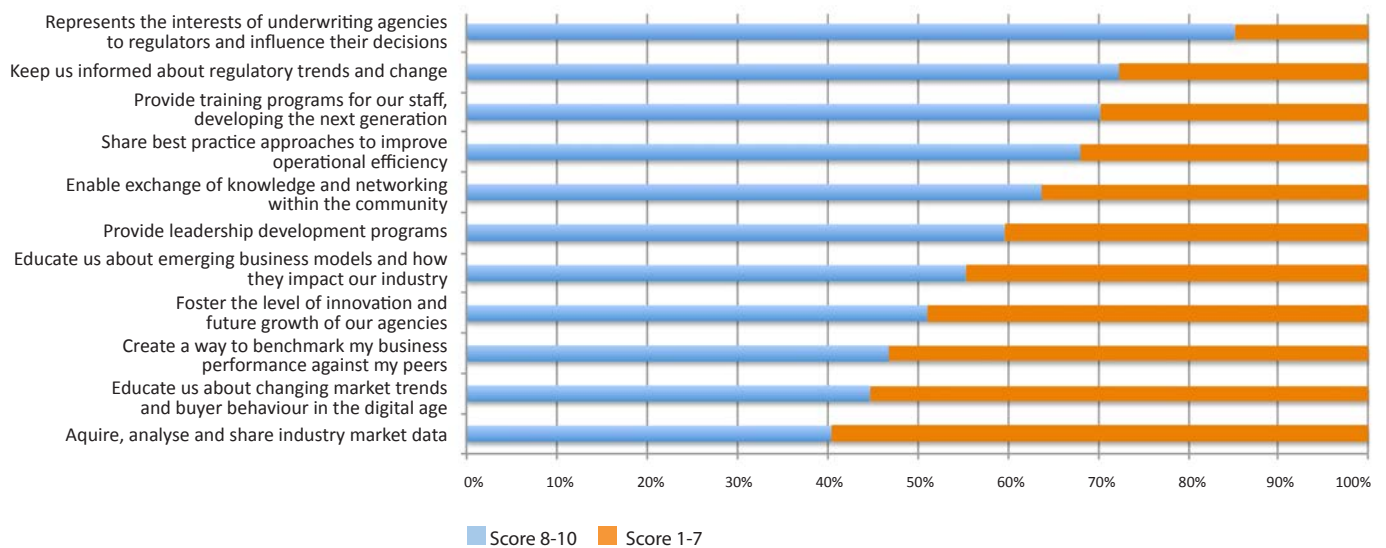
Skilled, experienced staff and their effectiveness is **KEY**

The ability to attract and retain skilled staff is consistently a key factor across all aspects of the business. At the same time we are seeing a focus on operational IT systems to improve flexibility and scalability.

Fierce competition is **CHALLENGING**

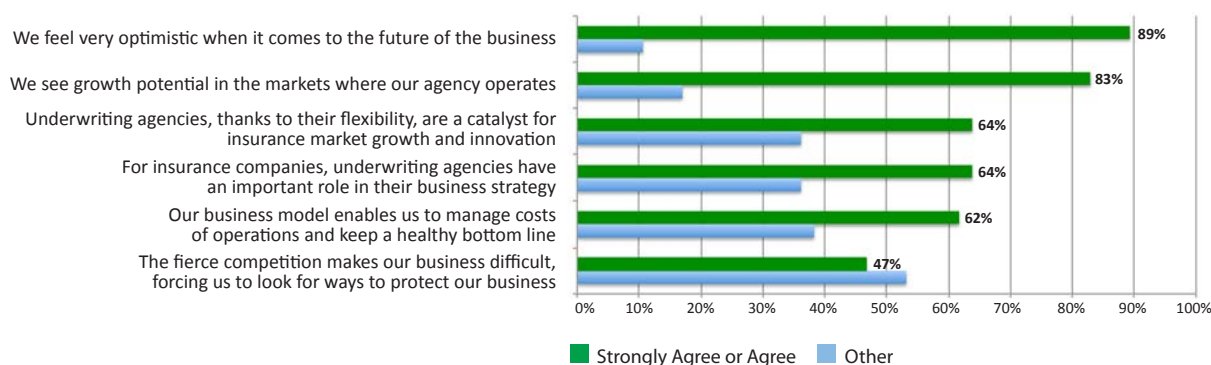
Despite strong confidence in the economy and market, increasing competition from new entrants is seen as a key challenge. This trend reinforces the challenge of building loyalty and performance in broker channels.

1 How do you perceive the role of the Underwriting Agencies Council in the market?



It is very encouraging to see that, despite some variations in responses occasioned by the size of the respondents, the majority feel UAC can best add value to your membership by focusing on training programs and leadership development programs and having a closer, more interactive role with industry regulators to ensure the underwriting agency market's interests are not overlooked or disadvantaged.

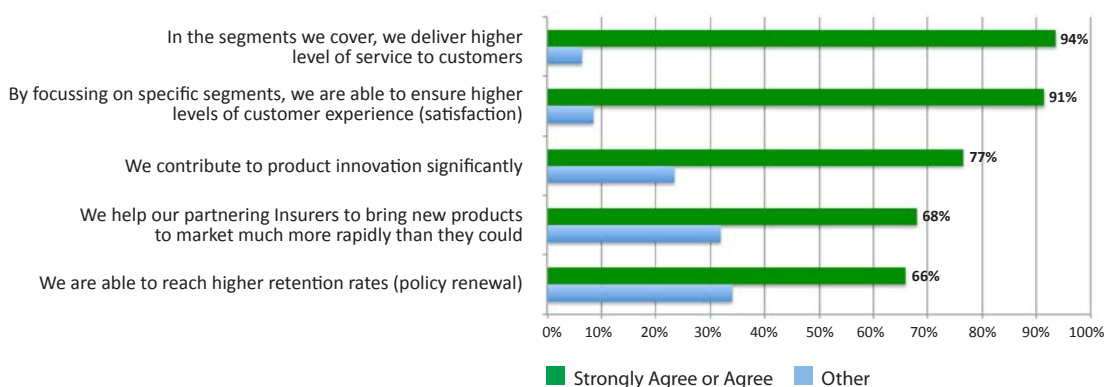
2 How do you perceive the role of underwriting agencies in the market?



It is encouraging to see that 89% (strongly agree or agree) of all respondents feel very optimistic about the future. This is supported by 83% (strongly agree or agree) reporting confidence in the growth potential in their markets. On the other hand, 47% or almost half of all respondents report that fierce competition is challenging their business.

The results imply that business leaders need to reconsider their competitive position in the market to take advantage of market growth.

3 How do you perceive the value of underwriting agencies to the insurance market?



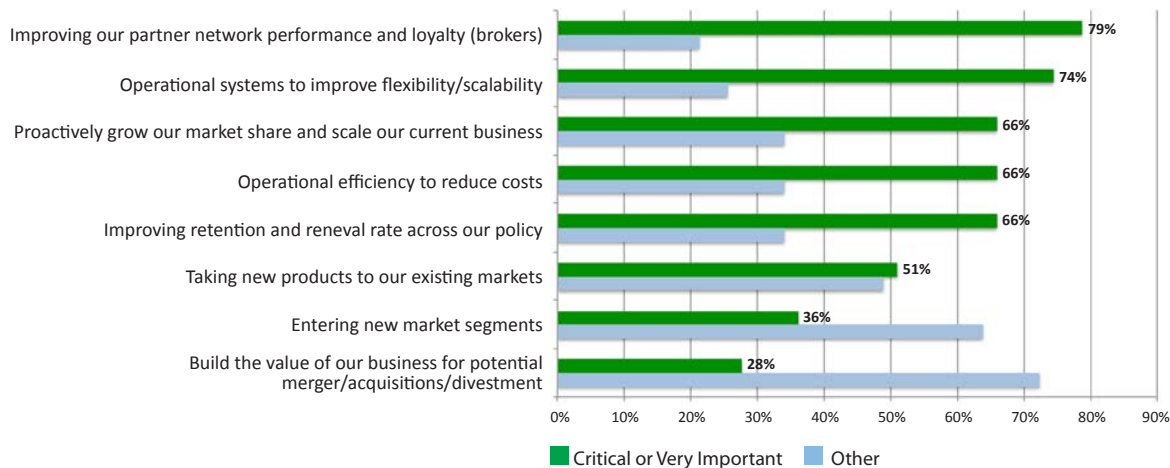
An overwhelming 94% of respondents “strongly agree or agree” that underwriting agencies deliver a higher level of service to customers, while 68% “strongly agree or agree” that they help insurance organisations to shorten the time to market for new products.

The response indicates that the delivery of superior customer service is perceived as the most significant value for underwriting agencies.



47% report fierce competition in the market while 94% confirm that they deliver superior customer service.

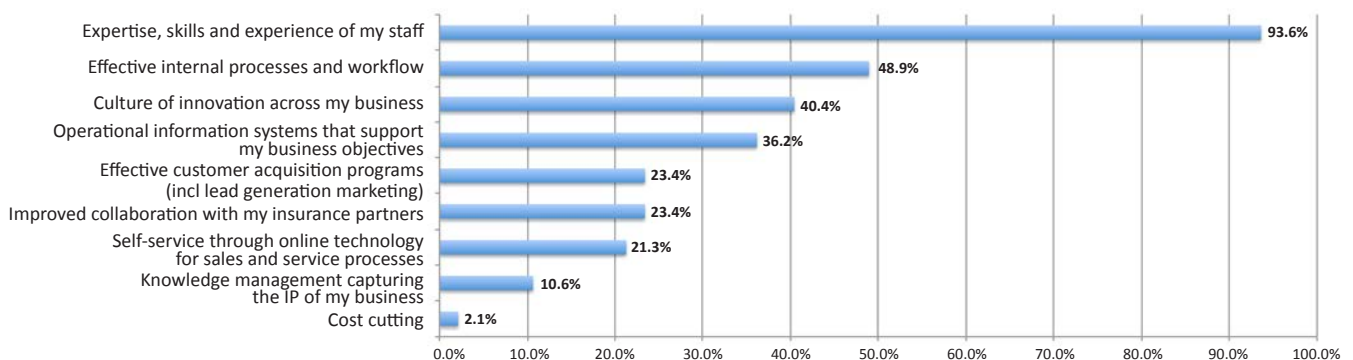
4 What are the most important business aspects for your business?




79% of all respondents say that the improvement of their channel performance is “critical or very important”. At the same time, 74% express that the requirement for operational systems to improve efficiency is “critical or very important”. 66% of respondents see the pro-active growth of the current business as critical, whereas only 36% see the entering of new market segments as critical to their business.

The responses confirm that underwriting agencies are mostly focused on “building a better business” with the help of operational systems that will allow them to harvest anticipated growth in market segments they service.

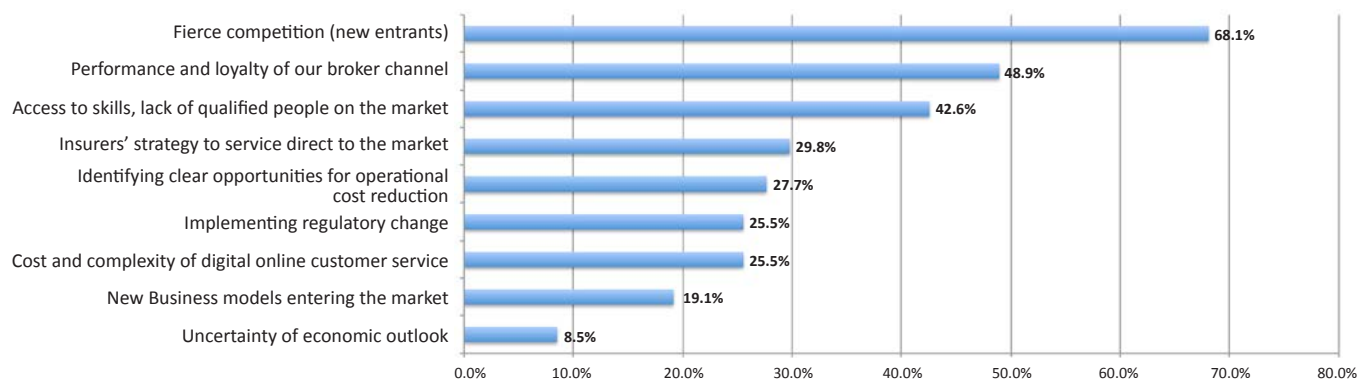
5 What business enablers have the most significant impact on your business?



An overwhelming majority confirm that the quality of staff is the strongest success factor when it comes to delivering competitive service to brokers and customers. To support growth and keep the balance between people and cost structures, 48.9% of respondents say that effective internal processes and workflow have a significant impact, while a further 36% identify operational information systems as a key factor.

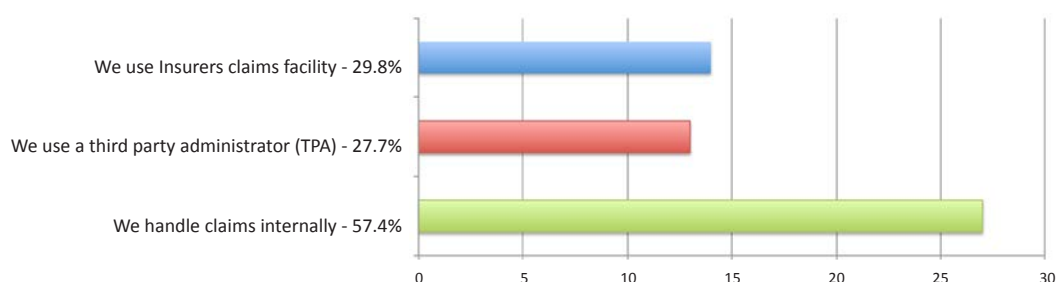
 **Every third organisation (36%) says information systems have the most significant impact on their business.**

6 What are the key challenges that impact your business today, or might do in the future?



68% of respondents identify fierce competition from new entrants as the biggest challenge for underwriting agencies, while 49% believe that the ability to improve broker performance and loyalty takes the top spot. Operational cost reduction opportunities are seen as a key challenge for 28% of responses. The identification of key challenges shows a wide spectrum, and centres around the need to improve broker channel performance through experienced staff in order to overcome competition from new entrants.

7 Business model trend – How does your organisation handle claims management?

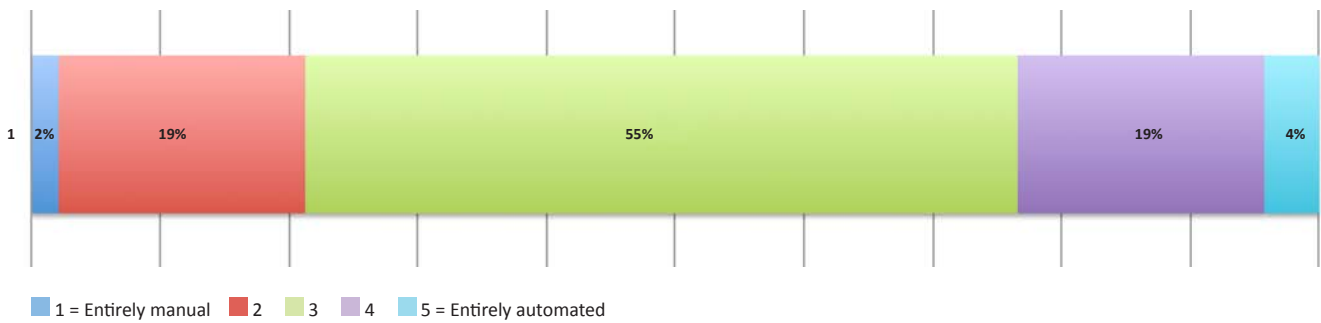


57.4% of respondents handle claims processing internally, whereas 27.7% work with third party administrators (TPAs) and 29.8% rely on their insurance partner.



With 27.7% of respondents, almost every third underwriting agency engages third party administrators for claims processing.

8 On a scale of 1-5, to what degree are operational processes performed in a manual versus automated way?

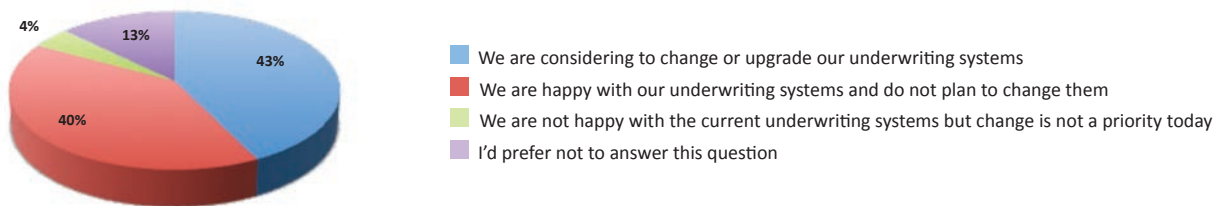


The graph reflects that only 4% of underwriting agencies report that business processes are fully automated, while a majority of 55% rate themselves with a value of 3 on a scale of 1-5, indicating that they are partially automated.

Underwriting agencies with more than 20 employees and a GWP in excess of AUD10m report considerably higher levels of automation than smaller organisations.

 *Only 4% say processes are entirely automated.*

9 Is your business considering a change of business systems?



Almost half of organisations (43%) are dissatisfied with their current systems and consider a change of their underwriting system, while 40% are happy with their existing applications. 68% report that they use only one core system for all products.

 *Almost every second underwriting agency (43%) is considering a change of their current underwriting information system.*

Survey approach and methodology

Survey audience:

The respondents in this survey are senior executives of underwriting agencies in Australia and New Zealand. The anonymous survey was conducted by a trusted industry body, the Underwriting Agencies Council, and all data is confidential.

This report represents aggregate data from all respondents:

81% of all respondents report less than 20 employees, 19% report between 20 and 100 employees.

41% reported GWP (Gross Written Premium) of less than AUD10m with 59% achieving more than AUD10m – AUD200m.

Methodology:

The survey was anonymous and conducted through an online survey tool.

The data was hosted in a secure hosted environment (Google Docs Form).

After analysis of the data, all information has been removed.

The anonymous data sets are retained by UAC for future reference.



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